



**Transcript Exhibit(s)**

**Docket#(s):** W-02109A-06-0751

W-20496A-06-0751

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Exhibit # :** S-1, AVM-1, AVM-2, AVM3  
I-1, I-2

\_\_\_\_\_  
\_\_\_\_\_

AZ CORP COMMISSION  
DOCKET CONTROL

2007 JUN -6 P 1:48

RECEIVED

Arizona Corporation Commission  
DOCKETED

JUN -6 2007

DOCKETED BY nr

Kevin

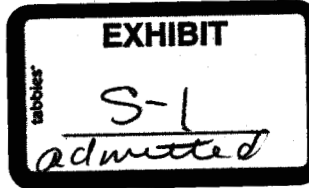
MEMORANDUM

REC

2007 MAY

TO: Docket Control  
Arizona Corporation Commission

FROM: Ernest G. Johnson  
Director  
Utilities Division.



AZ CORP  
DOCUMENT CONTROL

Date: May 4, 2007

RE: STAFF REPORT FOR THE APPLICATION OF SIGNAL PEAK WATER COMPANY, INC. FOR APPROVAL OF THE SALE OF ITS ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY TO AVM-2005.  
DOCKET NOS. W-02109A-06-0751 AND W-20496A-06-0751

Attached is the Staff Report for the application of Signal Peak Water Company and AVM-2005 for approval of the sale of assets and transfer of a Certificate of Convenience and Necessity. Staff recommends approval of the transfer with compliance requirements.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

Attachment: Original and 13 Copies

RECEIVED

MAY 07 2007

LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

FILE COPY

Service List for: Signal Peak Water Company, Inc. and AVM-2005, L.L.C.  
Docket Nos. W-02109A-06-0751 and W-20496A-06-0751

Ms. Susan E. Klemmer  
Kutak Rock, LLP  
8601 N. Scottsdale Rd. Suite 300  
Scottsdale, AZ 85253-2742

Mr. John Paul Jones  
Bueler Jones, LLP  
1300 North McClintock Dr. Suite B-4  
Chandler, Arizona 85226-7241

Mr. Robert Geake  
Arizona Water Company  
3805 Black Canyon Highway  
Phoenix, Arizona 85015

Mr. Ernest G. Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Mr. Christopher C. Kempley  
Chief, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Lyn Farmer  
Chief, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

SIGNAL PEAK WATER COMPANY, INC. AND  
AVM-2005, LLC

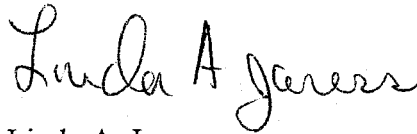
APPLICATION FOR APPROVAL TO TRANSFER ASSETS AND CERTIFICATE OF  
CONVENIENCE AND NECESSITY

DOCKET NOS. W-02109A-06-0751  
AND W-20496A-06-0751

MAY 4, 2007

## STAFF ACKNOWLEDGMENT

The Staff Report for Signal Peak Water Company, Inc. and AVM-2005, LLC, Docket Nos. W-02109A-06-0751 and W-20496A-06-0751 was prepared by the Staff members shown below.

A handwritten signature in cursive script that reads "Linda A. Jaress".

Linda A. Jaress  
Executive Consultant III

A handwritten signature in cursive script that reads "Katrin Stukov".

Katrin Stukov  
Utility Engineer

**EXECUTIVE SUMMARY**  
**SIGNAL PEAK WATER COMPANY, INC. AND AVM-2005, LLC**  
**APPLICATION FOR APPROVAL TO TRANSFER ASSETS AND CERTIFICATE OF**  
**CONVENIENCE AND NECESSITY**  
**DOCKET NOS. W-02109A-06-0751**  
**AND W-20496A-06-0751**

On November 30, 2006, Signal Peak Water Company, Inc. ("Signal Peak") and AVM-2005, LLC ("AVM") filed an application for approval to transfer the assets and Certificate of Convenience and Necessity ("CC&N") of Signal Peak to AVM.

Signal Peak distributes water to approximately 35 customers in a 3/4<sup>th</sup> square mile area five miles northeast of Casa Grande in Pinal County. Attached as Exhibit 1 is a map and legal description of Signal Peak's certificated area. All of the water it provides to its customers is purchased from Arizona Water Company ("Arizona Water") under Arizona Water's Temporary Service tariff. According to Arizona Water, the amount it will deliver to Signal Peak is limited to 40 residential units and 60 gallons per minute maximum.

AVM desires to purchase Signal Peak because AVM's owners and affiliates are going to develop within Signal Peak's service territory and AVM's owners and affiliates would like to have control over the water company and its operations. AVM's owners have experience owning and operating water utility facilities in Arizona.

Signal Peak did not prepare its total coliform analysis for October, 2006 and did not accomplish required annual lead and copper monitoring for 2004, 2005 and 2006. Due to these monitoring deficiencies, Arizona Department of Environmental Quality ("ADEQ") cannot determine if the Signal Peak's water system is currently delivering water that meets ADEQ's water quality standards.

Staff recommends approval of the transfer. Staff recommends that within 12 months of the decision in this docket approving the transaction, that AVM file ADEQ documentation demonstrating that PWS #11-079 is serving safe drinking water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. Staff also recommends that AVM file in Docket Control as a compliance matter, for each of the next twelve months following the decision in this docket, documentation showing that monthly testing for the total coliform analysis required by ADEQ has been accomplished and that Signal Peak's water quality is in compliance with ADEQ rules.

Staff recommends that AVM file a Curtailment Tariff in Docket Control, as a compliance item, within 45 days after the effective date of the decision in this docket case for the review and certification of Staff. Staff further recommends that the tariff should generally conform to the sample tariff found at <http://www2.azcc.gov/divisions/util/forms/Curtailment-Cons.pdf> on the Commission's website. Staff recognizes that AVM may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

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## EXHIBITS

ENGINEERING MAPS .....	EXHIBIT 1
ENGINEERING REPORT .....	EXHIBIT 2

## Introduction

On November 30, 2006, Signal Peak Water Company, Inc. ("Signal Peak") and AVM-2005, LLC ("AVM") filed an application for approval to transfer the assets and Certificate of Convenience and Necessity ("CC&N") of Signal Peak to AVM.

Signal Peak distributes water to approximately 35 customers in a 3/4<sup>th</sup> square mile area five miles northeast of Casa Grande in Pinal County. Attached as Exhibit 1 is a map and legal description of Signal Peak's certificated area. All of the water it provides to its customers is purchased from Arizona Water Company ("Arizona Water") under Arizona Water's Temporary Service tariff. According to Arizona Water, the amount it will deliver to Signal Peak is limited to 40 residential units and 60 gallons per minute maximum.

AVM desires to purchase Signal Peak because AVM's owners and affiliates are going to develop within Signal Peak's service territory and AVM's owners and affiliates would like to have control over the water company and its operations.

AVM is a limited liability corporation whose primary member is AREAD Holdings, Inc. ("AREAD"). AREAD's business purpose is real estate acquisition and development. AREAD owns property around and within Signal Peak's service territory. Mr. Nariman Afkhami, President of AREAD, has experience with utility operations from his ownership interest in Willow Valley Water Company in Mohave County from 1990 to 1998. The Utility Division's Consumer Services Section's records do not indicate any unusual problems or number of complaints related to the Willow Valley operations during the last two years of Mr. Afkhami's ownership. Willow Valley was part of West Maricopa Combine, the parent of various Arizona water utilities including Water Utility of Greater Tonopah and Water Utility of Greater Buckeye. Global Water Resources, LLC recently purchased West Maricopa Combine. However, according to AVM, Mr. Afkhami has no business relationship with Global.

The Senior Vice President of AREAD is a licensed civil engineer who was employed as City Engineer for the cities of Tolleson, El Mirage, Parker, Gila Bend and Buckeye. He has experience in operating water utilities and complying with environmental and other government rules and regulations.

The certified operator will be Mr. Steven R. Pinkham. Staff determined from the web site of the Arizona Department of Environmental Quality that Mr. Pinkham's certification for water distribution and treatment is current.

The sales agreement between Signal Peak and AVM indicates that AVM will pay \$300,000 for all of the assets of Signal Peak.



## **Compliance**

There are no outstanding Commission compliance matters for Signal Peak. There are zero complaints or comments on file at the Commission regarding this Company from January 1, 2003 to November 30, 2006.

## **Arizona Department of Water Resources**

Signal Peak is within the Pinal Active Management Area. The Arizona Department of Water Resources indicates Signal Peak is in compliance with its monitoring and reporting requirements.

## **Arizona Department of Environmental Quality ("ADEQ")**

ADEQ reported that the Arizona Water system which supplies water to the Signal Peak system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18. According to Arizona Water, the arsenic levels for its wells range from 7 ppb to 45 ppb. Thus, Arizona Water is in the process of developing a treatment plan to comply with the new arsenic standard.

Although the water purchased from Arizona Water meets ADEQ's standards, ADEQ indicated in its December 21, 2006 Drinking Water Compliance Status Report that Signal Peak has major deficiencies in monitoring and reporting but no major deficiencies in operations and maintenance. Signal Peak did not prepare its total coliform analysis for October, 2006 and did not accomplish required annual lead and copper monitoring for 2004, 2005 and 2006. Due to these monitoring deficiencies, ADEQ cannot determine if the Signal Peak's water system is currently delivering water that meets ADEQ's water quality standards. ADEQ requires one year of compliance with its water monitoring (testing) rules for a water company to reach compliance status.

## **Conclusions and Recommendations**

The owner of Signal Peak desires to sell the assets and transfer the CC&N to AVM. The member of AVM, LLC is AREAD. Two of the officers of AREAD have experience in the ownership and operations of water utilities. Staff believes that AVM is fit and proper to own the assets and hold the CC&N of Signal Peak. However, Signal Peak is out of compliance with ADEQ.

Staff recommends approval of the transfer of assets and CC&N. Staff recommends that within 12 months of the decision in this docket approving the transaction, that AVM file ADEQ documentation demonstrating that PWS #11-079 is serving safe drinking water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4 before the hearing in this matter. Staff also recommends that AVM file in Docket Control as a compliance matter, for each of the next twelve months following the decision in this docket, documentation

showing that monthly testing for the total coliform analysis required by ADEQ has been accomplished and that Signal Peak's water quality is in compliance with ADEQ rules.

Staff recommends that AVM file a Curtailment Tariff in Docket Control, as a compliance item, within 45 days after the effective date of the decision in this docket case for the review and certification of Staff. Staff further recommends that the tariff should generally conform to the sample tariff found at <http://www2.azcc.gov/divisions/util/forms/Curtailment-Cons.pdf> on the Commission's website. Staff recognizes that AVM may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

**MEMORANDUM**

TO: Linda Jaress  
Executive Consultant III  
Utilities Division

FROM: Barb Wells  
Information Technology Specialist  
Utilities Division

THRU: Del Smith  
Engineering Supervisor  
Utilities Division

DATE: December 15, 2006

RE: **SIGNAL PEAK WATER COMPANY, INC. (DOCKET NO. W-02109A-06-0751)**  
**AVM-2005, LLC (DOCKET NO. W-20496A-06-0751)**

Signal Peak Water Company has filed an application to transfer its CC#N to AVM-2005, LLC.

Attached is a copy of the map for your files.

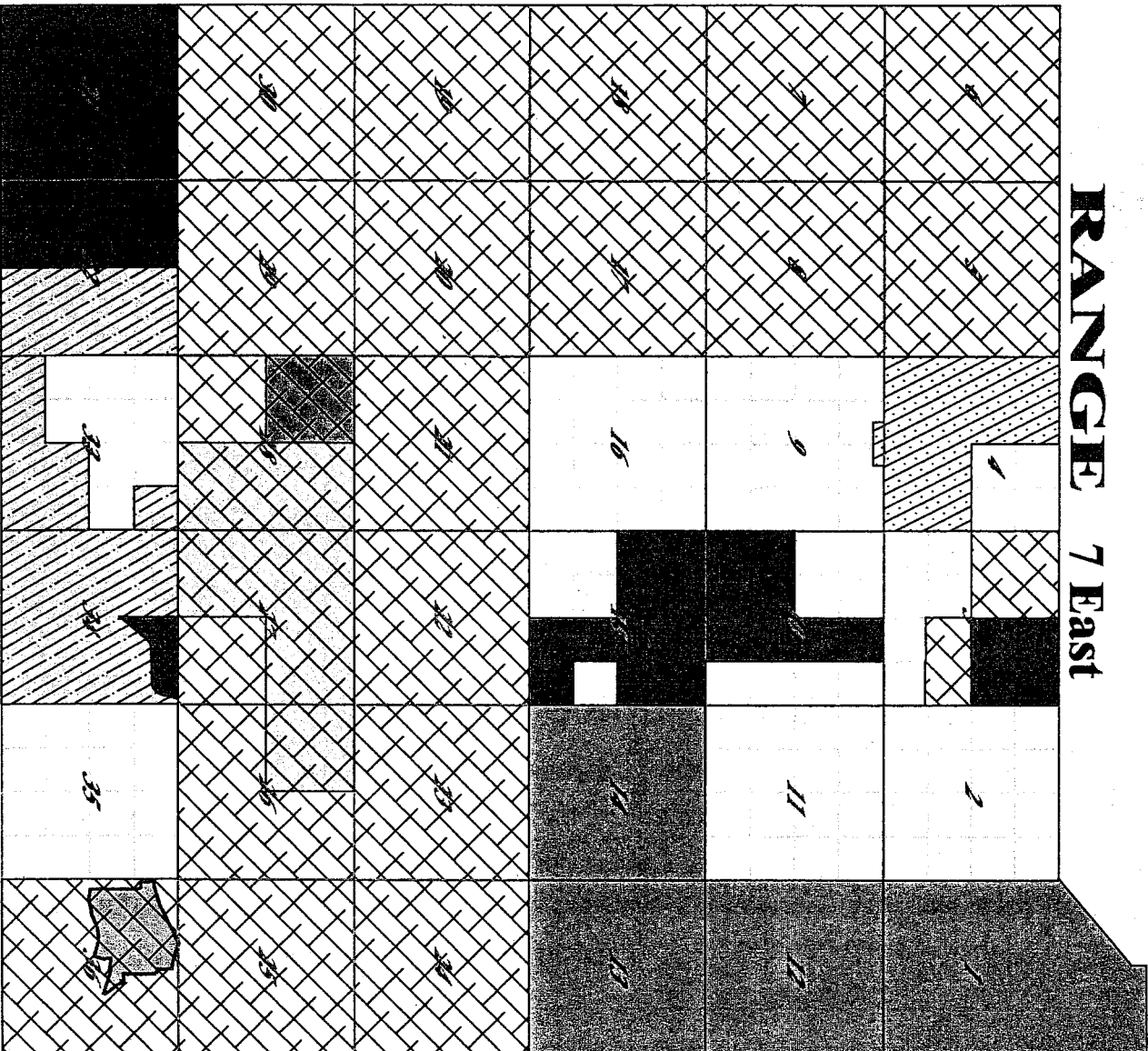
:bsw

Attachment

cc: Mr. John Paul Jones  
Ms. Susan E. Klemmer  
Ms. Deb Person (Hand Carried)  
File

# COUNTY: Pinal

## RANGE 7 East



## TOWNSHIP 6 South



W-1445 (39)(11)

Arizona Water Company (Casa Grande)



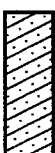
SW-3709 (2)

Picacho Sewer Company



W-3528 (2)

Picacho Water Company



W-2109 (1)

Signal Peak Water Company, Inc.



SW-2701 (1)

Tierra Grande Utility Cooperative, Inc.



Picacho Water Company

Docket No. W-3528-05-281

Application for Extension

Signal Peak Water Company, Inc.

Docket No. W-02109A-06-0751

Application to Transfer to

AVM-2005, LLC (Docket No. W-20496A-06-0751)



(3)

Arizona Water Company

Docket No. W-01445A-06-0059

Amended Application for Extension



(5)

Arizona Water Company

Docket No. W-01445A-06-0317

Application for Extension

## MEMORANDUM

DATE: March 23, 2007

TO: Linda Jaress  
Executive Consultant III

FROM: Katrin Stukov  
Utilities Engineer *KS*

RE: Signal Peak Water Company, Inc.  
Docket No. W-02109A-06-0751 & W-20496A-06-0751 (Sale / Transfer  
of CC&N)

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### **Introduction**

Signal Peak Water Company, Inc. ("Signal Peak or "the Company") currently serves a 3/4 square mile certificated area which is located approximately five miles northeast of Casa Grande in Pinal County.

Signal Peak has submitted an application for approval of the sale of assets and transfer of Certificate of Convenience and Necessity ("CC&N") to AVM-2005, LLC.

### **Water System**

Signal Peak is a consecutive water system to the Arizona Water Company ("AWC") - Casa Grande system and has no pumping facilities. Signal Peak is served by a 2-inch master-meter and is purchasing water, as needed, to serve its customers. According to its 2005 Annual Report, Signal Peak has a capped well, drilled in 2004, and a distribution system consisting of 5,280 feet of 6-inch main serving 35 connections.

### **Arizona Department of Environmental Quality ("ADEQ") Compliance**

#### Signal Peak ADEQ Public Water System ("PWS") # 11-079

ADEQ has reported major deficiencies in monitoring and reporting requirements for total coliform, lead & copper and consumer confidence reports. Because of the compliance monitoring deficiencies, ADEQ cannot determine if the Signal Peak's water system PWS#11-079 is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.<sup>1</sup>

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<sup>1</sup> Per status report dated December 21, 2006.

#### AWC ADEQ PWS # 11-009

ADEQ has determined that the AWC system (PWS#11-009) which supplies water to the Signal Peak system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.<sup>2</sup>

#### Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb.

Signal Peak receives its entire source from AWC. According to AWC, its arsenic levels for its wells range from 7 ppb to 45 ppb. Based on these levels, AWC is in the process of developing a treatment plan to comply with the new arsenic standard. In Decision No. 67518 (dated January 20, 2005), the Commission approved an accounting order which will allow AWC to record its arsenic treatment costs for the AWC - Case Grande System.

#### **Arizona Department of Water Resources ("ADWR") Compliance**

The Company is within the Pinal Active Management Area. ADWR indicated that the Company is in compliance with its monitoring and reporting requirements.

#### **Arizona Corporation Commission ("ACC") Compliance**

A check with the ACC Utilities Division Compliance Unit showed no outstanding compliance issues for the Company.

#### **Curtailment Tariff**

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since the Company currently does not yet have a CPT, this Application provides an opportune time to prepare and file a CPT.

#### **Conclusions**

1. Staff concludes that the Signal Peak's water system is a consecutive system to the Arizona Water Company - Casa Grande System. Signal Peak is purchasing water, as needed, to serve its customers.
2. AWC's wells arsenic level range from 7 ppb to 45 ppb. AWC is in the process of developing a treatment plan to comply with the new arsenic standard. In Decision No. 67518 (dated January 20, 2005), the Commission approved an accounting order

---

<sup>2</sup> Per status report dated November 2, 2006.

which will allow AWC to record its arsenic treatment costs for the AWC - Casa Grande System.

3. ADEQ has determined that the AWC water system PWS#11-009 is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
4. ADEQ has reported that the Signal Peak's water system PWS#11-079 has major deficiencies in monitoring and reporting requirements for total coliform, lead & copper and consumer confidence reports. Because of the compliance monitoring deficiencies, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
5. ADWR indicated that Signal Peak is in compliance with its monitoring and reporting requirements.
6. A check with the ACC Utilities Division compliance unit showed no outstanding compliance issues.
7. Signal Peak does not have an approved CPT for its system.

#### **Recommendations**

1. Staff recommends that AVM file ADEQ documentation (Compliance Status Report) demonstrating that PWS #11-079 is serving safe drinking water that meets the water quality standards required by Arizona administrative Code, Title 18, Chapter 4 within 12 months of a decision approving this transaction.

Staff also recommends that AVM file in Docket Control as a compliance matter, for each of the next twelve months following the decision in this docket, documentation showing that the required monthly testing for the total coliform analysis required by ADEQ has been accomplished and that Signal Peak's water quality is in compliance with ADEQ rules.

2. Staff recommends that AVM file a CPT with Docket Control, as a compliance item in the same docket, within 45 days after the effective date of the decision in this case for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at <http://www2.azcc.gov/divisions/util/forms/Curtailment-Cons.pdf>.

Staff recognizes that AVM may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
DRINKING WATER PRIMARY MICROBIOLOGICAL ANALYSIS REPORT  
\*\*\* Collect samples in distribution system only \*\*\*

COPY TO ADEQ YES NO <input checked="" type="checkbox"/>													
>>> SYSTEM INFORMATION <<<<													
System ID # <u>110-19</u>	System Name <u>Signal Peak Water Co.</u>												
Sample Date <u>3/7/07</u> Time (24hr) <u>12:40</u>	Collected By <u>Chris Adcox</u>												
Sample Type <input checked="" type="checkbox"/> Compliance Monitoring	Owner/Contact Person Name <u>Doug</u> Phone <u>480 921 1401</u> Fax <u>920 921 1378</u>												
Sample Collection Point/It <input type="checkbox"/> Zone													
Sample Site ID <u>TAP</u>													
System Mailing Name & Address <u>Signal Peak Water Co.</u> <u>P.O. Box 91612</u> <u>Chandler Heights, AZ 85227</u>													
Use only if initial sample was positive. Original Violation Specimen Number <table border="1"><tr><td></td><td>Repeat, Original Location</td></tr><tr><td></td><td>Repeat, Other Location</td></tr><tr><td></td><td>Repeat, Downstream Location</td></tr><tr><td></td><td>Repeat, Upstream Location</td></tr><tr><td></td><td>400 mL Repeat (Single tap only)</td></tr><tr><td></td><td>300 mL Repeat (Single tap only)</td></tr></table>			Repeat, Original Location		Repeat, Other Location		Repeat, Downstream Location		Repeat, Upstream Location		400 mL Repeat (Single tap only)		300 mL Repeat (Single tap only)
	Repeat, Original Location												
	Repeat, Other Location												
	Repeat, Downstream Location												
	Repeat, Upstream Location												
	400 mL Repeat (Single tap only)												
	300 mL Repeat (Single tap only)												

>>> MICROBIOLOGICAL ANALYSIS <<<<

Analysis Method	MCL Value	Contaminant Name	Contaminant Code	Test Start Date/Time	Test Stop Date/Time	Result
<u>9229B</u>	<u>Present/1</u>	<u>Total Coliform</u>	<u>3000</u>	<u>MAR 08 2007</u>	<u>MAR 09 2007</u>	<u>0</u>

Only report fecal result if the total coliform result is positive.

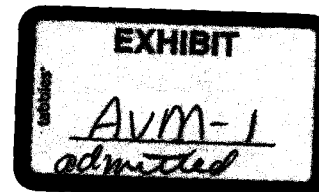
Analysis Method	MCL Value	Contaminant Name	Contaminant Code	Test Start Date/Time	Test Stop Date/Time	Result
	<u>Present/1</u>	<u>Fecal Coliform</u>	<u>3013</u>			

>>> LABORATORY INFORMATION <<<<

Specimen Number 3P-02871 Date/Time Received MAR 08 2007  
ID Number AZ0003 Name: Aquatic Consulting & Testing, Inc. (480) 921-8044  
Comments:  
Authorized Signature: Elizabeth M. Robinson  
Date Public Water System Notified:  
Temp: 9 °C

Your submittal of this document authorizes analysis regardless of sample condition and temperature at time of receipt. Sample should be on ice and have a temperature of 2 - 6°C (36 - 43°F).

Note: Indicate 'T' for TINTID or 'P' for COMPLIANT, and 'U' for TURBID in the invalid column. If a follow-up test was negative for turbidity the lab must report both the Total and Fecal Coliform results.





ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
DRINKING WATER PRIMARY MICROBIOLOGICAL ANALYSIS REPORT  
\*\*\* Collect samples in distribution system only \*\*\*

GUP ☒ DATED: YES ☐ NO ☒

>>>> SYSTEM INFORMATION <<<<

System ID # 11079 System Name Sigra Peak Water Co.

Sample Date 4/5/07 Time (24hr) 1:00 PM Collected By PA S. ADAM

Sample Type ☐ Compliance Monitoring

Owner/Contact Person  
Name Terrence or Doug  
Phone 480 988 2401  
Fax 480 988 1379

Sample Collection Point/ID ☐ Zone

Sample Site ID Tap

System Mailing Name & Address

Sigra Peak Water Co.
P.O. Box 9602
Chandler Heights AZ 85227

Use only if initial sample was positive.

Original Violation Specimen Number

Repeat Original Location
Repeat Other Location
Repeat Downstream Location
Repeat Upstream Location
400 ft Repeat (Single tap only)
300 ft Repeat (Single tap only)

>>>> MICROBIOLOGICAL ANALYSIS <<<<

Analysis Method	MCL Value	Contaminant Name	Contaminant Code	Test Start Date/Time	Test Stop Date/Time	Result
<u>9223B</u>	Present/1	Total Coliform	3000	<u>APR 06 2007</u> <u>1:00 PM</u>	<u>12:30</u> <u>APR 06 2007</u>	<u>12</u>

Only report fecal result if the total coliform result is positive

Analysis Method	MCL Value	Contaminant Name	Contaminant Code	Test Start Date/Time	Test Stop Date/Time	Result
	Present/1	Fecal Coliform	3013			

>>>> LABORATORY INFORMATION <<<<

APR 06 2007 @ 1200

Specimen Number BP-04134 Date/Time Received APR 06 2007 @ 1200

ID Number AZ0003 Name: Aquatic Consulting & Testing, Inc. (92) 921-8044

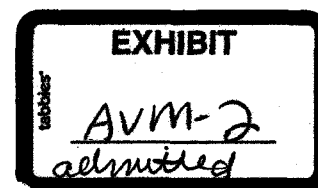
Comments: Temp: 80

Authorized Signature: Elizabeth M. Adamson

Date Public Water System Notified: \_\_\_\_\_

Arizona Department of Environmental Quality  
Drinking Water Monitoring and Protection Unit  
1110 W. Washington Street, 5415B-1  
Phoenix, AZ 85007

Drinking Water Compliance Status Report



Public Water System Name: Signal Peak Water Co.

Public Water System ID #: 11-079

Public Water System Type: ☒ Community ☐ Non-transient Non-community ☐ Transient Non-community

Overall Compliance Status: ☒ No Major Deficiencies ☐ Major Deficiencies

Monitoring and Reporting Status: ☒ No Major Deficiencies ☐ Major Deficiencies  
Comments:

Operation and Maintenance Status: ☒ No Major Deficiencies ☐ Major Deficiencies  
Comments:

Major unresolved/ongoing operation and maintenance deficiencies:

- |   |   |
|---|---|
| <input type="checkbox"/> unable to maintain 20psi           | <input type="checkbox"/> inadequate storage           |
| <input type="checkbox"/> cross connection/backflow problems | <input type="checkbox"/> surface water treatment rule |
| <input type="checkbox"/> treatment deficiencies             | <input type="checkbox"/> approval of construction     |
| <input type="checkbox"/> certified operator                 | <input type="checkbox"/> other                        |

Date of last inspection / sanitary survey: 6-24-03

**Administrative Orders:**

Is an ADEQ administrative order in effect? ☐ Yes ☒ No

Comments:

**System information:**

This facility has a consecutive connection to PWS ID# 11-009 Arizona Water Company-Casa Grande.

Number of Entry Points to the Distribution System 0 Number of Sources 0

Population Served 58 Service Connections 16 Initial Monitoring Year 1995

Evaluation completed by: **Jim Puckett**

Phone: 602-771-4649 Date: 5-14-07

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

EXHIBIT

AVM-3

admitted

FROM :

FAX NO. : 6022627776

Jan. 02 2007 10:50AM P5

## ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

Pursuant to Arizona Revised Statutes, Title 49, Chapter 2, Articles 9 and 10, and Arizona Administrative Code, Title 18, Chapter 5, Article 1, the Arizona Department of Environmental Quality finds that

**STEVEN R PINKHAM**

has complied with the requirements for operator certification in the State of Arizona, and issues  
this Certificate of Registration as a

**GRADE 4 WASTEWATER COLLECTION SYSTEM OPERATOR**

Operator ID No.      Expiration Date

09768      11/30/2007

*Tony Bode*

Drinking Water Section  
Operator Certification Program

## ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

Pursuant to Arizona Revised Statutes, Title 49, Chapter 2, Articles 9 and 10, and Arizona Administrative Code, Title 18, Chapter 5, Article 1, the Arizona Department of Environmental Quality finds that

**STEVEN R PINKHAM**

has complied with the requirements for operator certification in the State of Arizona, and issues  
this Certificate of Registration as a

**GRADE 4 WASTEWATER TREATMENT PLANT OPERATOR**

Operator ID No.      Expiration Date

09768      12/31/2009

*Tony Bode*

Drinking Water Section  
Operator Certification Program

## ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

Pursuant to Arizona Revised Statutes, Title 49, Chapter 2, Articles 9 and 10; and Arizona Administrative Code, Title 18, Chapter 5, Article 1, the Arizona Department of Environmental Quality finds that

**STEVEN R PINKHAM**

has complied with the requirements for operator certification in the State of Arizona, and issues  
this Certificate of Registration as a

**GRADE 4 WATER DISTRIBUTION SYSTEM OPERATOR**

Operator ID No.      Expiration Date

09768      11/30/2007

*Tony Bode*

Drinking Water Section  
Operator Certification Program

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

EXHIBIT

tabbies  
I-1  
admitted

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

W-02109A  
Signal Peak Water Company, Inc.  
P. O. Box 9602  
Chandler Heights, AZ 85227

S  
**RECEIVED**

MAR 10 2006

**Z Corporation Commission**  
**Director of Utilities**

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2005
----	----	------

FOR COMMISSION USE

ANN04	05
-------	----

## COMPANY INFORMATION

Company Name (Business Name) Signal Peak water co.

Mailing Address P.O. Box 9602  
(Street)  
Chandler Heights AZ 85227  
(City) (State) (Zip)

480-988-1401 480-988-1378  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address Signal Peak wtr @ AOL.com

Local Office Mailing Address P.O. Box 9602  
(Street)  
Chandler Heights AZ 85227  
(City) (State) (Zip)

480-988-1401 480-987-1378  
Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address \_\_\_\_\_

## MANAGEMENT INFORMATION

Management Contact: J. Douglas Adcox Pes / Owner  
(Name) (Title)  
P.O. Box 9602 Chandler Heights AZ 85227  
(Street) (City) (State) (Zip)  
480-988-1401 480-988-1378  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)  
Email Address \_\_\_\_\_  
On Site Manager: Same as above  
(Name)  
\_\_\_\_\_  
(Street) (City) (State) (Zip)  
\_\_\_\_\_  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)  
Email Address \_\_\_\_\_

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: J. Douglas Adcox  
 (Name)  
P.O. Box 9602 Chandler Heights AZ 85227  
 (Street) (City) (State) (Zip)  
480-988-1401 480-988-1378  
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)  
 Attorney: \_\_\_\_\_  
 (Name)  
 \_\_\_\_\_  
 (Street) (City) (State) (Zip)  
 \_\_\_\_\_  
 Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

- |   |   |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S)    | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P)        | <input checked="" type="checkbox"/> Subchapter S Corporation (Z)          |
| <input type="checkbox"/> Bankruptcy (B)         | <input type="checkbox"/> Association/Co-op (A)                            |
| <input type="checkbox"/> Receivership (R)       | <input type="checkbox"/> Limited Liability Company                        |
| <input type="checkbox"/> Other (Describe) _____ |   |

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- |                                     |                                   |   |
|-------------------------------------|-----------------------------------|---|
| <input type="checkbox"/> APACHE     | <input type="checkbox"/> COCHISE  | <input type="checkbox"/> COCONINO         |
| <input type="checkbox"/> GILA       | <input type="checkbox"/> GRAHAM   | <input type="checkbox"/> GREENLEE         |
| <input type="checkbox"/> LA PAZ     | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE           |
| <input type="checkbox"/> NAVAJO     | <input type="checkbox"/> PIMA     | <input checked="" type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI  | <input type="checkbox"/> YUMA             |
| <input type="checkbox"/> STATEWIDE  |                                   |   |

COMPANY NAME Signal Peak Water Co.

**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	105,906	18,696	87,210
311	Pumping Equipment			
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains			
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	105,906	18,696	87,210

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME Signal Peak Water CO.

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	105,906		18,696
311	Pumping Equipment			
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains			
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>105,906</b>		<b>18,696</b>

This amount goes on the Comparative Statement of Income and Expense  
Acct. No. 403.



COMPANY NAME Signal Peak water co.

**BALANCE SHEET**

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 5,562	\$ 3,384
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	540	670
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 6,102	\$ 4,054
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 18,907	\$ 105,906
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	18,907	18,696
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 0	\$ 87,210
	<b>TOTAL ASSETS</b>	\$ 6,102	\$ 91,264

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

COMPANY NAME Signal Peak Water Co.

**BALANCE SHEET (CONTINUED)**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>LIABILITIES</b>		
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	935	935
236	Accrued Taxes	767	879
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 1,702	\$ 1,814
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$	\$
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$	\$
	<b>TOTAL LIABILITIES</b>	\$	\$
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 50,000	\$ 50,000
211	Paid in Capital in Excess of Par Value	48,361	135,365
215	Retained Earnings	-95,745	-93,417
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ 4,943	\$ 89,450
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 6,645	\$ 91,264

COMPANY NAME Signal Peak Water Co.

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 7,795	\$ 10,175
460	Unmetered Water Revenue		30
474	Other Water Revenues		1,450
	<b>TOTAL REVENUES</b>	\$ 7,795.	\$ 11,655
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$	\$
610	Purchased Water	4,498	5,305
615	Purchased Power		
618	Chemicals		
620	Repairs and Maintenance		
621	Office Supplies and Expense		
630	Outside Services	887	1,514
635	Water Testing		
641	Rents		
650	Transportation Expenses		
657	Insurance - General Liability		
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case		5,395
675	Miscellaneous Expense		334
403	Depreciation Expense		
408	Taxes Other Than Income		
408.11	Property Taxes		1,919.
409	Income Tax		
	<b>TOTAL OPERATING EXPENSES</b>	\$ 5,385.	\$ 14,465
	<b>OPERATING INCOME/(LOSS)</b>	\$	\$ (2,810)
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$	\$ 312
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	\$	\$
	<b>NET INCOME/(LOSS)</b>	\$ 2,410.	\$ (2,498)

COMPANY NAME

Signal Peak Water CO.

**SUPPLEMENTAL FINANCIAL DATA****Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	N/A			
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$

Meter Deposits Refunded During the Test Year

\$

COMPANY NAME Signal Peak Water Co.

**WATER COMPANY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
	N/A	N/A	1300	12"	N/A	2004

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Ariz. Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Arizona Water Co. Casa Grande		2,172,625

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
N/A			

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
N/A			

COMPANY NAME Signal Peak Water Co.

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6	PVC	5280
8		
10		
12		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 X 3/4	35
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

NONE

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STRUCTURES:

NONE

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OTHER:

NONE

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COMPANY NAME: Signal Peak Water Co.

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	34	205,100	
FEBRUARY	34	155,700	
MARCH	34	160,700	
APRIL	34	189,000	
MAY	34	358,500	
JUNE	34	336,200	
JULY	34	352,600	
AUGUST	35	344,600	
SEPTEMBER	35	266,900	
OCTOBER	35	319,900	
NOVEMBER	35	232,700	
DECEMBER	35	218,500	
TOTAL		3,146,700	

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☒ Yes

☐ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☐ Yes

☒ No

If yes, provide the GPCPD amount: \_\_\_\_\_

What is the level of arsenic for each well on your system. N/A mg/l

(If more than one well, please list each separately.)

**Note: If you are filing for more than one system, please provide separate data sheets for each system.**

COMPANY NAME Signal Peak water co. YEAR ENDING 12/31/2005

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2005 was: \$ 730.87

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



COMPANY NAME Signal peak water co.

YEAR ENDING 12/31/2005

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported  
Estimated or Actual Federal Tax Liability\$ 2883.000State Taxable Income Reported  
Estimated or Actual State Tax Liability0

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances  
Amount of Gross-Up Tax Collected  
Total Grossed-Up Contributions/Advances

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company; or the sole proprietor, if a sole proprietorship.

  
SIGNATURE3-8-06  
DATEJ. Douglas Adcox  
PRINTED NAMEPresident  
TITLE

VERIFICATION  
AND  
SWORN STATEMENT  
Taxes

MAR 10 2006

Corporation Commissic  
Director of Utilities

VERIFICATION

STATE OF Arizona  
I, THE UNDERSIGNED  
OF THE

COUNTY OF (COUNTY NAME)
<u>Pinal</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>J. Douglas Adcox</u>
COMPANY NAME
<u>Signal Peak water co.</u>

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2005</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



[Signature]  
SIGNATURE OF OWNER OR OFFICIAL  
480-988-1401  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

8TH

DAY OF March

(SEAL)

COUNTY NAME
<u>MARICOPA</u>
MONTH
<u>MARCH</u>
YEAR
<u>2006</u>

MY COMMISSION EXPIRES 11-27-2009

[Signature]  
SIGNATURE OF NOTARY PUBLIC

VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY

**RECEIVED**

MAR 10 2006

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

COUNTY OF (COUNTY NAME) <u>Pinal</u>	
NAME (OWNER OR OFFICIAL) <u>J. Douglas Adeox</u>	TITLE <u>President</u>
COMPANY NAME <u>Signal Peak Water Co.</u>	

**Z Corporation Commission**  
**Director of Utilities**

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

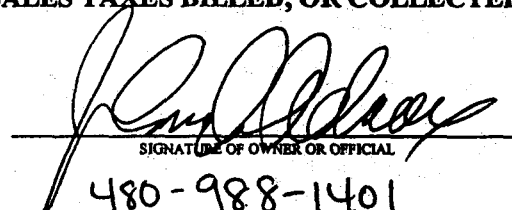
IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 10,786.

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 714.89  
IN SALES TAXES BILLED, OR COLLECTED)

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

  
SIGNATURE OF OWNER OR OFFICIAL  
480-988-1401  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

8TH

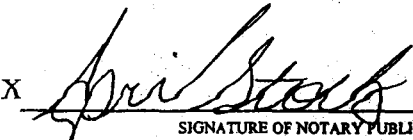
DAY OF March

NOTARY PUBLIC NAME <u>April Stock</u>	
COUNTY NAME <u>MARICOPA</u>	
MONTH <u>MARCH</u>	20 <u>06</u>

(SEAL)

MY COMMISSION EXPIRES



X   
SIGNATURE OF NOTARY PUBLIC

VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only

RECEIVED

MAR 10 2006

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>Pinal</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>J. Douglas Adeox</u>
COMPANY NAME
<u>Signal Peak water co.</u>

Z Corporation Commission  
Director of Utilities

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2005</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 10,786.

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 714.89  
IN SALES TAXES BILLED, OR COLLECTED)

\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 8TH DAY OF

(SEAL)

MY COMMISSION EXPIRES 11-27-09

[Signature]  
SIGNATURE OF OWNER OR OFFICIAL  
480-988-1401  
TELEPHONE NUMBER

COUNTY NAME
<u>MARICOPA</u>
MONTH
<u>MARCH</u>
<u>2006</u>

[Signature]  
SIGNATURE OF NOTARY PUBLIC



03/07/06

**Signal Peak Water Co.**  
**Balance Sheet**  
 As of December 31, 2005

	<u>Dec 31, '05</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
106 - SPW Checking	2,475.26
107 - SPW Savings	1,799.42
Total Checking/Savings	4,274.68
Accounts Receivable	
120 - Accounts Receivable	3,647.94
Total Accounts Receivable	3,647.94
Total Current Assets	7,922.62
<b>Fixed Assets</b>	
164 - Equipment	111,906.85
188 - Accumulated Depreciation	-18,696.35
Total Fixed Assets	93,210.50
<b>TOTAL ASSETS</b>	<u><u>101,133.12</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Other Current Liabilities	
230 - Sales Tax Payable	714.89
240 - Customer Deposits	2,085.00
Total Other Current Liabilities	2,799.89
Total Current Liabilities	2,799.89
Total Liabilities	2,799.89
<b>Equity</b>	
320 - Common Stock	50,000.00
380 - Additional Paid in Capital	141,365.24
390 - Retained Earnings	-95,914.89
Net Income	2,882.88
Total Equity	98,333.23
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>101,133.12</u></u>

03/07/06

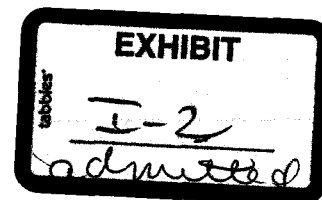
**Signal Peak Water Co.**  
**Profit & Loss**  
 January through December 2005

	<u>Jan - Dec '05</u>
<b>Ordinary Income/Expense</b>	
Income	
410 • Water Service	10,785.36
411 • Fees	183.45
412 • Reimbursed Expenses	189.19
<b>Total Income</b>	<u>11,158.00</u>
Expense	
Deposit return	50.00
610 • Accounting and Legal	350.00
612 • Dues and Subscriptions	27.16
627 • Water Service Fee	5,662.28
6270 • Professional Fees	
6280 • Legal Fees	696.50
6270 • Professional Fees - Other	125.00
<b>Total 6270 • Professional Fees</b>	<u>821.50</u>
629 • Water Charge	180.00
647 • Taxes	
648 • Property	548.44
650 • State	380.85
<b>Total 647 • Taxes</b>	<u>929.29</u>
664 • Bank Service Charges	-12.15
686 • Outside Services	324.08
<b>Total Expense</b>	<u>8,332.16</u>
<b>Net Ordinary Income</b>	2,825.84
<b>Other Income/Expense</b>	
Other Income	
416 • Other Income	50.00
417 • Interest Income	7.04
<b>Total Other Income</b>	<u>57.04</u>
<b>Net Other Income</b>	<u>57.04</u>
<b>Net Income</b>	<u><u>2,882.88</u></u>

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-02109A  
Signal Peak Water Company, Inc.  
PO Box 9602  
Chandler Heights, AZ 85227



RECEIVED

APR 13 2007

AZ CORP COMM  
Director Utilities

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2006
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FOR COMMISSION USE

ANN 04	06
--------	----

PROCESSED BY:

4-16-07RF

SCANNED

### COMPANY INFORMATION

Company Name (Business Name) <u>Signal Peak water co.</u>			
Mailing Address <u>P.O. Box 9602</u>			
<u>Chandler</u> (City)	<u>Heights</u> (Street)	<u>AZ</u> (State)	<u>85227</u> (Zip)
<u>480-988-1401</u> Telephone No. (Include Area Code)	<u>480-988-1378</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)	
Email Address <u>dougadcox@aol.com</u>			
Local Office Mailing Address <u>P.O. Box 9602</u>			
<u>Chandler</u> (City)	<u>Heights</u> (Street)	<u>AZ</u> (State)	<u>85227</u> (Zip)
 Local Office Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)	
Email Address _____			

### MANAGEMENT INFORMATION

Management Contact: <u>J. Douglas Adcox</u>			
<u>P.O. Box 9602</u> (Street)		<u>Chandler Heights</u> (City)	<u>AZ 85227</u> (State) (Zip)
<u>480-988-1401</u> Telephone No. (Include Area Code)	<u>480-988-1378</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)	
Email Address <u>dougadcox@aol.com</u>			
On Site Manager: <u>Same as above</u>			
 (Name)			
 (Street) (City) (State) (Zip)			
 Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)	
Email Address _____			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.



Statutory Agent:

J. Douglas Adcox

(Name)

P.O. Box 9602 Chandler Heights AZ 85227

(Street)

(City)

(State)

(Zip)

480-988-1401

480-988-1378

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney:

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☐ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☒ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe)

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☒ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME

**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	105,906	18,696	87,210
311	Pumping Equipment			
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains			
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>105,906</b>	<b>18,696</b>	<b>87,210</b>

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	105,906		18,694
311	Pumping Equipment			
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains			
333	Services			
334	Meters and Meter Installations			
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>105,906</b>		<b>18,694</b>

This amount goes on the Comparative Statement of Income and Expense  
Acct. No. 403.

COMPANY NAME Signal Peak Water Co.

**BALANCE SHEET**

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 3,384.	\$ 2,789.
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	670.	5,324.
146	Notes/Receivables from Associated Companies		5,500.
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 4,054.	\$ 13,613.
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 105,906.	\$ 111,906.
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	12,696.	22,394.
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 87,210.	\$ 89,512.
	<b>TOTAL ASSETS</b>	\$ 91,264.	\$ 103,125.

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

COMPANY NAME

Signal Peak Water Co.

**BALANCE SHEET (CONTINUED)**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>LIABILITIES</b>		
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$	\$ 6,919.
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	935.	772.
236	Accrued Taxes	879.	2,436.
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 1,814.	\$ 10,127.
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$	\$
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$	\$
	<b>TOTAL LIABILITIES</b>	\$	\$
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 50,000.	\$ 50,000.
211	Paid in Capital in Excess of Par Value	135,365	141,365.
215	Retained Earnings	- 93,417	- 96,806.
218	Proprietary Capital (Sole Props and Partnerships)		- 1561.
	<b>TOTAL CAPITAL</b>	\$ 89,450.	\$ 92,998.
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 91,264.	\$ 103,125.

COMPANY NAME Signal Peak Water Co.

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 10,175.	\$ 11,980.
460	Unmetered Water Revenue	30.	21.
474	Other Water Revenues	1,450.	
	<b>TOTAL REVENUES</b>	\$ 11,655.	\$ 12,001.
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$	\$
610	Purchased Water	5,305	6,193.
615	Purchased Power		
618	Chemicals		
620	Repairs and Maintenance		
621	Office Supplies and Expense		
630	Outside Services	1,514.	6,982.
635	Water Testing		
641	Rents		
650	Transportation Expenses		
657	Insurance - General Liability		
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case	5,395.	
675	Miscellaneous Expense	334.	
403	Depreciation Expense		
408	Taxes Other Than Income		
408.11	Property Taxes	1,919.	436.
409	Income Tax		
	<b>TOTAL OPERATING EXPENSES</b>	\$ 14,465.	\$ 13,610.
	<b>OPERATING INCOME/(LOSS)</b>	\$ (2,810)	\$ (1,609)
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$ 312	\$ 34.
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	\$	\$
	<b>NET INCOME/(LOSS)</b>	\$ (2,498)	\$ (1,575)

COMPANY NAME Signal Peak Water Co.

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	N/A			
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ \_\_\_\_\_

Meter Deposits Refunded During the Test Year \$ \_\_\_\_\_

COMPANY NAME	Signal Peak Water Co.
Name of System	ADEQ Public Water System Number (if applicable)

### WATER COMPANY PLANT DESCRIPTION

#### WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
	N/A	N/A	1300	12"	N/A	2004

\* Arizona Department of Water Resources Identification Number

#### OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
Arizona Water Co.		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
N/A			

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
N/A			

Note: If you are filing for more than one system, please provide separate sheets for each system.



COMPANY NAME	Signal Peak Water Co.
Name of System	ADEQ Public Water System Number (if applicable)

### WATER COMPANY PLANT DESCRIPTION (CONTINUED)

#### MAINS

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6	PVC	5280
8		
10		
12		

#### CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	36
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:  
None

STRUCTURES:  
None

OTHER:  
None

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: <u>Signal Peak Water Co.</u>
Name of System <u>ADEQ Public Water System Number (if applicable)</u>

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006**

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	35	250200		
FEBRUARY	35	235800		
MARCH	35	219300		
APRIL	35	245200		
MAY	35	346500		
JUNE	35	353200		
JULY	35	367100		
AUGUST	35	356400		
SEPTEMBER	35	266000		
OCTOBER	34	322900		
NOVEMBER	34	282600		
DECEMBER	34	190200		
TOTALS →		3495,400		

What is the level of arsenic for each well on your system? N/A mg/l  
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? N/A GPM for N/A hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?  
☒ Yes      ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?  
( ) Yes      ☒ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
( ) Yes      ☒ No

If yes, provide the GPCPD amount: \_\_\_\_\_

*Note: If you are filing for more than one system, please provide separate data sheets for each system.*

COMPANY NAME Signal Peak Water Co. YEAR ENDING 12/31/2006

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2006 was: \$ \$537.10

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

VERIFICATION  
AND  
SWORN STATEMENT  
Taxes

RECEIVED

APR 13 2007

AZ CORP COMM  
Director Utilities

VERIFICATION

STATE OF Arizona  
I, THE UNDERSIGNED  
OF THE

COUNTY OF (COUNTY NAME)	<u>PIMA</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>J. DOUGLAS ADcox</u>
COMPANY NAME	<u>SIGNAL PEAK WATER CO.</u>

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

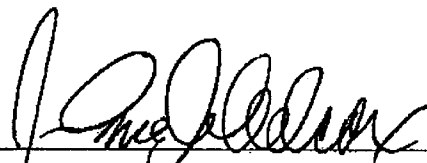
MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

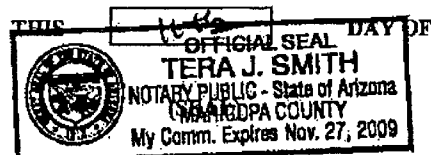
I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

  
\_\_\_\_\_  
SIGNATURE OF OWNER OR OFFICIAL  
480-988-1461  
\_\_\_\_\_  
TELEPHONE NUMBER


SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



MY COMMISSION EXPIRES 9-27-2009

COUNTY NAME	<u>Maricopa</u>
MONTH	<u>April</u>
	<u>2007</u>

  
\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC

COMPANY NAME Signal Peak Water Co. YEAR ENDING 12/31/2006

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported \$ - 1575.00  
Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported \_\_\_\_\_  
Estimated or Actual State Tax Liability 0

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances \_\_\_\_\_  
Amount of Gross-Up Tax Collected \_\_\_\_\_  
Total Grossed-Up Contributions/Advances \_\_\_\_\_

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

  
SIGNATURE

4/11/07  
DATE

J. Douglas Adcox  
PRINTED NAME

President  
TITLE

VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only

RECEIVED

APR 13 2007

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>Pinal</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>J. Douglas Adcox</u>
COMPANY NAME
<u>Signal Peak Water Co.</u>

AZ CORP COMM  
Director Utilities

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (5)

\$ 11981.00

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 772.96  
IN SALES TAXES BILLED, OR COLLECTED)

\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

SUBSCRIBED AND SWORN TO BEFORE ME:

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS



DAY OF

COUNTY NAME
<u>Maricopa</u>
MONTH <u>4/11/07</u> .20 <u>07</u>

[Signature]  
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 11-27-09

[Signature]  
SIGNATURE OF OWNER OR OFFICIAL  
480-988-1401  
TELEPHONE NUMBER

VERIFICATION  
AND  
SWORN STATEMENT  
**RESIDENTIAL REVENUE**  
Intrastate Revenues Only

RECEIVED

APR 13 2007

AZ CORP COMM  
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>Pinal</u>	
NAME (OWNER OR OFFICIAL) <u>J. Douglas Adcox</u>	TITLE <u>President</u>
COMPANY NAME <u>Signal Peak water co.</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

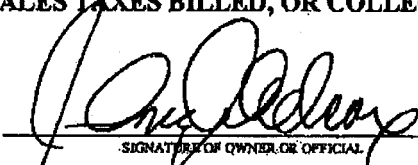
ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 11,981.02

THE AMOUNT IN BOX AT LEFT

INCLUDES \$ 772.96  
IN SALES TAXES BILLED, OR COLLECTED)

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.


  
\_\_\_\_\_  
SIGNATURE OF OWNER OR OFFICIAL  
480-988-1401  
\_\_\_\_\_  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS                      DAY OF                       
  
MY COMMISSION EXPIRES 11-27-09

NOTARY PUBLIC NAME <u>TERA J. Smith</u>	
COUNTY NAME <u>MARICOPA</u>	
MONTH	.20 <u>    </u>

X   
\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC

03/21/07

**Signal Peak Water Co.**  
**Profit & Loss**  
 January through December 2006

	<u>Jan - Dec '06</u>
<b>Ordinary Income/Expense</b>	
Income	
410 - Water Service	11,980.54
411 - Fees	21.22
<b>Total Income</b>	<u>12,001.76</u>
Expense	
612 - Dues and Subscriptions	25.00
626 - Licenses and Permits	90.00
627 - Water Service Fee	2,844.39
6270 - Professional Fees	
6280 - Legal Fees	6,361.50
6850 - Accounting	390.00
<b>Total 6270 - Professional Fees</b>	<u>6,751.50</u>
629 - Water Charge	3,349.93
647 - Taxes	
650 - State	167.60
647 - Taxes - Other	268.55
<b>Total 647 - Taxes</b>	<u>436.15</u>
664 - Bank Service Charges	30.96
686 - Outside Services	58.00
690 - Interest Expense	
690.1 - Finance Charge	25.00
<b>Total 690 - Interest Expense</b>	<u>25.00</u>
<b>Total Expense</b>	<u>13,610.95</u>
<b>Net Ordinary Income</b>	-1,609.19
<b>Other Income/Expense</b>	
Other Income	
417 - Interest Income	34.14
<b>Total Other Income</b>	<u>34.14</u>
<b>Net Other Income</b>	<u>34.14</u>
<b>Net Income</b>	<u><u>-1,575.05</u></u>



03/21/07

**Signal Peak Water Co.**  
**Balance Sheet**  
 As of December 31, 2006

	Dec 31, '06
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
106 - SPW Checking	2,508.42
107 - SPW Savings	281.02
Total Checking/Savings	2,789.44
Accounts Receivable	
120 - Accounts Receivable	5,324.13
Total Accounts Receivable	5,324.13
Other Current Assets	
Loan to STH	5,500.00
Total Other Current Assets	5,500.00
Total Current Assets	13,613.57
<b>Fixed Assets</b>	
164 - Equipment	111,906.85
188 - Accumulated Depreciation	-22,394.85
Total Fixed Assets	89,512.00
<b>TOTAL ASSETS</b>	<b>103,125.57</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
205 - Accounts Payable	8,919.95
Total Accounts Payable	8,919.95
Other Current Liabilities	
230 - Sales Tax Payable	772.96
240 - Customer Deposits	2,435.00
Total Other Current Liabilities	3,207.96
Total Current Liabilities	10,127.91
Total Liabilities	10,127.91
<b>Equity</b>	
300 - Opening Bal Equity	14.30
320 - Common Stock	50,000.00
380 - Additional Paid In Capital	141,365.24
390 - Retained Earnings	-96,806.83
Net Income	-1,575.05
Total Equity	92,997.66
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>103,125.57</b>

ARIZONA WATER COMPANY'S FIRST SET OF DATA REQUESTS TO  
SIGNAL PEAK WATER COMPANY, INC.  
DOCKET NOS. W-2109A-06-0751/W-20496A-06-0751  
April 26, 2007

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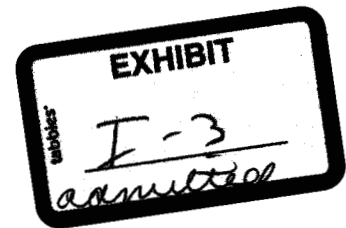
- 1.1 With respect to each and every witness Signal Peak Water Company, Inc. ("Signal Peak") may call or will call to testify at the May 22, 2007, hearing before the Arizona Corporation Commission in this matter, please provide (a) name (b) present address, (c) present occupation, and (d) telephone number.

-J. Douglas Adcox

-24320 South 183rd Place, Gilbert, AZ 85297

- President

-(480) 988-1401



ARIZONA WATER COMPANY'S FIRST SET OF DATA REQUESTS TO  
SIGNAL PEAK WATER COMPANY, INC.  
DOCKET NOS. W-2109A-06-0751/W-20496A-06-0751  
April 26, 2007

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- 1.2 With respect to each and every witness listed in response to Item 1 above, please provide a brief summary of the testimony that you expect the witness to provide.

Mr. Adcox will testify regarding the current nature of services provided by Signal Peak. Mr. Adcox will also testify regarding Signal Peaks intention to sell AVM-2005, LLC.

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- 1.3 Please provide a copy of each and every exhibit you will offer, expect to offer, or may offer into evidence at the hearing to be held before the Arizona Corporation Commission in this matter.

N/A

**ARIZONA WATER COMPANY'S FIRST SET OF DATA REQUESTS TO  
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1.4 Please identify all of the assets owned or operated and used by Signal Peak to provide water service to its customers. Please list each by:

- (a) Category (e.g., meters; water lines; wells; real property, etc.)
- (b) Amount (e.g., 30 meters; 1000 feet of 6 inch water line, etc.).
- (c) For all real property, please provide location by township, section, range, county, and assessor's parcel number.
- (d) Approximate book value of each (e.g., meters - \$30,000; Mains - \$100,000, etc.).

- (a) 35 meters- existing water lines
- (b) Approximately 3000 ft
- (c) N/A
- (d) meter- \$150,000  
    piping- \$150,000

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1.5 Please identify, with as much specificity as possible, what Signal Peak's plans are for operating its water system, if the Commission does not approve the transfer of its system to AVM-2005 L.L.C.?

Continual operation as currently exists and expand as development demands.

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1.6 Please provide copies of any agreements that Signal Peak has entered into within the last ten years with any person or entity concerning:

- (a) The sale and/or transfer of its water system and assets;
- (b) The provision of water service to its customers; and
- (c) Commitments to expand/improve/maintain/sell or transfer the Signal Peak water system.

N/A

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- 1.7 Please identify the name(s), address(es), and telephone number(s) of all persons who prepared or helped in the preparation of any of the responses to this data request.

John Paul Jones  
1300 N. McClintock Dr., Suite B-4  
Chandler, Arizona 85226  
(480) 775-6400

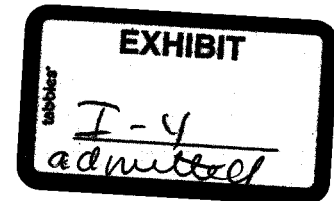
Doug Adcox  
see above address



**ARIZONA WATER COMPANY'S SECOND SET OF DATA REQUESTS TO  
SIGNAL PEAK WATER COMPANY, INC.  
DOCKET NOS. W-2109A-06-0751/W-20496A-06-0751  
May 4, 2007**

- 2.1 In its response to Arizona Water Company's Data Request No. 1.4, Signal Peak responded as follows when asked to identify all of the assets owned or operated and used by Signal Peak to provide water to its customers:

Wells & Springs	\$ -
Meters	\$150,000
Piping	<u>\$150,000</u>
Total	<u>\$300,000</u>



However, in its 2005 and 2006 Annual Reports filed with the Arizona Corporation Commission's Utility's Division, Signal Peak reported that its utility plant in service consists of the following:

Wells & Springs	\$105,906
Meters	\$ -
Piping	\$ -
Total	<u>\$105,906</u>

Please explain, in as much detail as possible, the differences between Signal Peak's response to Data Request 1.4 and its 2005 and 2006 Annual Report information, including, but not limited to:

- a. Why were Wells and Springs listed as \$0 in your response and as \$105,906 in your Annual Reports?

The annual Reports reflect the cost of Signal Peak incurred drilling a well on property outside the boundary of the current CC & M. The report does not show a value of meters and piping as Signal Peak did not expend meters or piping in 2005 and 2006.

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b. Why were meters and piping listed as \$150,000, each, in your response to 1.4

but listed as \$0, each, in the 2005-2006 Annual Reports?

Signal Peak did not acquire any new meters or piping during 2005 or 2006. As we discussed the Answer to question 1.4 reflect a current value of assets of Signal Peak.

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May 4, 2007**

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2.2 Please identify the name(s), address(es), and telephone number(s) of all persons who prepared or helped in the preparation of any of the responses to this data request.

Doug Adcox